



COMMISSION ON INSURANCE

COUNTY OF LOS ANGELES

Scott J. Svonkin
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Vice-Chairperson

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William K. Callagy
Michael G. Cheung
Rickey Ivie
Don Lee
Curren D. Price, Jr.
Rose Reets
Patricia Torres

MINUTES

Meeting of February 13, 2003
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Commissioners Present: William Callagy, Michael Cheung, Dan Falcon, Rickey Ivie, Don Lee, Scott Svonkin

Commissioners Absent: Barry Binder, Curren Price, Rose Reets, Patricia Torres

CALL TO ORDER

Chairperson Scott Svonkin called a meeting of the Committee of the Whole to order at 10:17 a.m.

CHAIRPERSON'S REPORT

Chairperson Svonkin reported that staff submitted the sunset review material to the Auditor Controller. At the April meeting, he will provide a condensed report on this year's legislative secession and which pending legislation could impact Los Angeles County residents.

Chairperson Svonkin is still in the process of evaluating the insurance companies with which the County is currently doing business and determining if any owe monies to Holocaust survivors.

An invitation was extended to State Insurance Commissioner Garamendi to attend a future meeting and discuss his plans for the California insurance industry.

APPROVAL OF MINUTES OF DECEMBER 9, 2002

Chairperson Scott Svonkin noted a quorum was present and called the meeting to order at 10:28 a.m.

On motion of Commissioner Falcon, seconded by Commissioner Lee, the Commission unanimously approved the December 9, 2002 minutes.

CALIFORNIA FAIR PLAN ASSOCIATION STRUCTURE AND POSSIBLE METHODS TO COMBAT THE TREND OF RISING HOMEOWNERS INSURANCE COSTS TO MAKE AFFORDABLE HOMEOWNERS INSURANCE AVAILABLE

Mike Harris, Public Affairs Vice-President, California FAIR Plan Association stated that the Association is private and provides basic insurance to residential and commercial properties that are either owner or tenant occupied. The Association was established on August 15,

1968 pursuant to §10091 of the California Insurance Code. No state or federal taxpayer's money involved and all insurance companies licensed to sell insurance within the state are mandated to be members of the association. There are nine voting Association members. The Association sets its own rates, collects premiums, issues its own policy and claim disbursements, and distributes any profits earned at fiscal year end to associate members.

The only time members provided emergency funding to the Association was after the 1993 brush fires in Southern California. Historically, the Association losses money in the urban areas, but recoups it on new premiums and investments in the stock market. Eighty-six percent of its business includes residential property and eighty percent of all business is generated from Los Angeles County.

A current concern is water damage/mold. In 2002, the Association started with 184,000 policies and ended with 187,000 policies. Some companies stopped writing new policies around April and in June, when the real estate market is in full swing. This created a spike in policy issuance. Regularly, the Association receives two hundred submissions but during this period the Association received three hundred submissions a day. However, the actual number of policies issued remained steady at the usual one hundred and fifty policies per day.

Market conditions reflected an underwriting tightening of older apartment buildings, condominiums, motels and selected commercial risks based on the loss history. As properties get older the issue of water damage becomes a distinct concern.

Mr. Harris suggested areas to explain the rising cost of residential property including a proactive public education campaign; strategic partnerships with groups and associations to discuss property inspections on new purchases and increased interaction with homeowners associations and grassroots organizations such as Neighborhood Housing Services & Operation Hope to explore proactive loss mitigation measures.

The average time to issue a FAIR Plan quote is ten days. One problem the organization faces is applicants seeking coverage who plan to close escrow in a matter of days. The current limit is \$1.5 million covering residential structure and content, and commercial is \$4.5 million (\$3 million on the structure and \$1.5 million on the content). The Board of Directors determines what additional areas of coverage can be added. Currently, the Association follows the California Statutory Fire Insurance Policy limits. Legislative action would be required to provide additional insurance coverage.

Chairperson Svonkin stated his concern for the ability of the residents in Los Angeles County to be covered and stated that legislation would be needed to create a vehicle under the FAIR Plan so that coverage is available if the situation arises.

After discussion, the Commission agreed to consider special legislation to increase the types of services provided by FAIR Plan and to invite representatives from the various insurance companies to discuss this matter.

MATTERS NOT ON POSTED AGENDA (To be placed on the agenda for discussion at a future meeting)

Commissioner Callagy plans to organize materials for presentation regarding Workers Compensation for a future agenda.

PUBLIC COMMENTS

Mary Callagy commented on the possibility of handling the mold issue like the FAIR Plan handled the fire issue.

Lisa Wang, State Farm Insurance, clarified that State Farm stopped writing new homeowner policies as of May 2002 but still services its existing homeowners purchasing new homes.

ADJOURNMENT

There being no further business the meeting was adjourned at 11:38 a.m.

ATTENDANCE

Mike Harris, Public Affairs Vice President, Fair Plan
Lisa Wang, State Farm Insurance
Mary Callagy
Martha Littlefield, Executive Office, Board of Supervisors